PACIFIC FUNDS

CORPORATE CREDIT HIGHLIGHTS

MARCH 31, 2022

	Monthly Return (%)	Year-to-Date Return (%)	OAS*			
	3/31/22	3/31/22	3/31/22	12/31/21	12/31/20	12/31/19
U.S. Credit	-2.51	-7.42	108	87	92	90
Single A Bonds	-2.45	-7.29	94	74	74	70
BBB Bonds	-2.47	-7.88	142	115	124	125
1-3 Year Credit	-1.22	-2.46	49	35	30	36
7-10 Year Credit	-3.12	-7.45	119	93	96	98
Long Credit	-2.82	-11.23	155	130	141	139
Bank Loans	0.04	-0.10	449	439	486	461
B Loans	0.02	-0.01	452	444	469	470
BB Loans	0.14	-0.08	323	307	305	262
Loans Priced over $90	0.08	0.04	424	417	422	368
Loans priced up to and including $90	-1.44	-5.25	1472	1380	1258	1270
Issues over $1 billion	0.13	-0.16	409	395	414	379
Issues $201 million to $300 million	-0.07	0.18	629	639	755	685
High Yield	-1.15	-4.84	325	283	360	336
BB Bonds	-1.54	-5.94	232	194	264	182
CCC Bonds	-1.04	-3.88	625	549	658	869
Intermediate High-Yield Bonds	-1.08	-4.42	324	285	363	333
Long High-Yield Bonds	-2.22	-10.64	337	252	329	397
Very Liquid High-Yield Bonds	-1.22	-5.03	355	309	340	319

Source: Bloomberg, Credit Suisse and Morningstar® as of 3/31/22. U.S. Credit represented by the Bloomberg U.S. Credit index and index components. Bank Loans are represented by the Credit Suisse Leveraged Loan index and index components. High Yield represented by the Bloomberg U.S. Corporate High Yield and index components.

*3-year discount margin show for Bank Loans. Option adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return.

Ratings are grades given to bonds and loans that indicate their credit quality as determined by private independent rating services such as Standard & Poor's, Moody's and Fitch. These firms evaluate a bond and/or loan issuer's financial strength, or it's ability to pay a bond's/loan's principal and interest in a timely fashion. Ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'D', which is the lowest grade.

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Highlights

Investment Grade

- Wells Fargo on investment-grade primary activity in March: "At $201.4 billion of volume, March 2022 has officially surpassed March 2021 ($199.4 billion) as the fourth largest month on record. Excluding those COVID-driven mega months, March 2022 would be the largest month on record of the investment-grade market in terms of volume."[1]

Bank Loans

- Stifel on loan-default rates: "The default rate of the S&P/LSTA Leveraged Loan Index remains at a 10-year low of 0.19%. By issuer count, the default rate at 0.27% is barely above the 0.26% low set in December 2007. By way of volume, this equates to just $2.2 billion on a rolling 12-month basis, compared to $49 billion at the height of the pandemic-driven default wave of 2020."[2]
- Three-month LIBOR breached 1% for the first time in almost two years, following the market selloff across the front end. The benchmark rate has risen by about 50 basis points in March with traders betting on a more aggressive path by the Fed.[3]
- J.P. Morgan on SOFR issuance replacing LIBOR issuance: "Year-to-date, 153 new loan deals have priced for $116.3 billion, of which 130 totaling $111 billion are SOFR-linked with 82 of these containing CSAs. As of March 25, 7.46% of the J.P. Morgan first-lien loan index was SOFR-linked."[4]

High Yield Corporates

- Demand technicals were weaker in first quarter as high-yield retail funds saw the largest outflow in five years, far outpacing coupon income. However, the record pace of rising stars has more than made up for that lost demand. Despite outflows, the supply/demand technicals have been supportive for high-yield cash through the volatility we have seen to start the year, contributing to the outperformance of high-yield spreads compared to investment-grade.[5]

[1] Source: Wells Fargo, as of March 29, 2022.
[2] Lorio, Brian. Levered Loan Morning Update/Axis. Stifel. April 4, 2022.
[3] Harris, Alexandra. Libor Breaches 1% for the First Time Since Onset of Pandemic. Bloomberg. March 29, 2022.
[4] US Corporate Credit Issuance Monthly. J.P.Morgan, March 2022.
[5] Koch, Fer et al. CS Credit Strategy Daily Comment. Credit Suisse. April 1, 2022.

Definitions

The **Bloomberg US 1-3 Year Credit Index** measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with 1 to below 3 years to maturity.

The **Bloomberg US 7-10 Year Credit Index** measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with 7 to below 10 years to maturity.

The **Bloomberg US Long Credit Index** measures the performance of the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets that have a remaining maturity of greater than or equal to 10 years.

One **basis point** is equal to 0.01%.

The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market.

The **Bloomberg US Corporate High Yield 2% Issuer Capped Index** measures the performance of high-yield bonds with a 2% maximum allocation to any one issuer.

The **Bloomberg US Corporate Investment Grade Index** is the Corporate component of the U.S. Credit index and measures the investment grade, fixed-rate, taxable corporate bond market.

The **Bloomberg US Credit Index** measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets.

The **Credit Suisse Leveraged Loan Index** is an index of U.S. dollar-denominated leveraged loan market securities.

Duration is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk.

Issue refers to a debt issue that is a financial obligation that allows the issuer to raise funds by promising to repay the lender at a certain point in the future and in accordance with the terms of the contract.

A **rising star** is a non-investment grade security with the potential to be upgraded.

Past performance does not guarantee future results. Index performance is not indicative of fund performance. Standardized performance for the fund can be obtained by visiting www.PacificFunds.com.

All investing involves risks including the possible loss of the principal amount invested. Debt securities with longer durations or fixed interest rates tend to be more sensitive to changes in interest rates, making them generally more volatile than debt securities with shorter durations or floating or adjustable interest rates. The Fund is subject to liquidity risk (the risk that an investment may be difficult to purchase and sell within a reasonable amount of time at approximately the price the Fund has valued the investment) and credit risk (the risk an issuer may be unable or unwilling to meet its financial obligations, risking default). Floating-rate loans (usually rated below investment grade) and high-yield/high-risk bonds ("junk bonds") have greater risk of default than higher-rated securities/ higher-quality bonds that may have a lower yield. Interest rates and bond prices have an inverse relationship. The Fund is also subject to foreign-markets risk.

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